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Implementation of Tax Planning to Minimize Income Tax Article 21

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The author(s) declares that the research was conducted without any commercial or financial relationships that could be construed as a potential conflict of interest.

ABSTRACT

Purpose: This study examines implementing tax planning strategies to minimize Income Tax Article 21 obligations at Dana Pensiun Perkebunan (DAPENBUN) while ensuring regulatory compliance and financial efficiency.

Research Design and Methodology: This research uses a qualitative approach and relies on primary data collected through interviews and documentation. Data analysis involves organizing, interpreting, and evaluating tax policies and implementation at DAPENBUN PTPN XIV.

Findings and Discussion: The study finds that DAPENBUN PTPN XIV applies the gross-up method for employee income tax Article 21, where tax allowances are included in taxable income and covered by the company. Only pension contributions and BPJS Ketenagakerjaan (employment insurance) employees pay are excluded from taxation. Meanwhile, retiree income tax follows the gross method, where pensioners bear the tax burden. Certain cash benefits, such as uniforms, medical expenses, and recreation allowances, have been converted into in-kind benefits to reduce taxable income.

Implications: This study highlights the role of strategic tax planning in reducing corporate tax burdens while maintaining compliance. It provides insights for pension funds and businesses seeking to enhance tax governance and financial management.

Introduction

Tax is one of the fundamental components of the country's financial system, and it is the primary source of income for financial routine and development expenses. From an economic perspective, tax functions as a mechanism for redistributing income and allocating resources from the private sector to the public sector, ultimately affecting the private sector's purchasing power and spending capacity. In legal aspects, taxes are mandatory contributions that must be fulfilled by individuals and legal entities, as regulated in Law No. 16 of 2009 Article 1, which defines taxes as compulsory contributions to the state based on the law without direct rewards, which are used for the greatest prosperity of the people (A. M. Jannah, 2022). Therefore, compliance with tax obligations is crucial, especially for business entities and financial institutions with complex tax structures. Non-compliance or inefficient tax management can significantly impact an organization's financial stability and reputation. To avoid excessive tax burdens while maintaining legal compliance, tax strategies such as tax planning are essential, including pension funds such as the Makassar Plantation Pension Fund (Dapenbun).

Many companies and financial institutions implement tax planning strategies to optimize tax obligations within the legal framework. According to Fadhila & Hasibuan (2018), tax planning includes various accounting and financial strategies to minimize the tax burden without violating regulations. Tax planning also applies to pension funds such as Dapenbun, which has special tax obligations related to managing pension funds for active and passive participants. As an Employer Pension Fund, Dapenbun manages the Defined Benefit Pension Program (PPMP) for employees of PT Perkebunan Nusantara and its affiliates. However, Dapenbun faces various obstacles in fulfilling tax obligations, primarily related to implementing Income Tax Article 21, which impacts passive participants (retirees) and active employees. The complexity of pension fund tax compliance requires structured and planned tax management, although discrepancies between regulatory interpretations and practices lead to inconsistencies in tax obligations. One of the pressing problems is the calculation and reporting of Income Tax Article 21, which has not been carried out according to the provisions. Employer pension contributions and social security payments are not exempt from taxable income, thus increasing the tax burden on Dapenbun. As a result, there is double taxation on pension funds, which are deducted when contributions are paid and are taxed again when benefits are paid to passive participants. This tax burden has a significant financial impact and gives rise to two opposing perceptions: first, that Dapenbun has succeeded in tax planning effectively and legally; second, that Dapenbun may be engaging in tax avoidance through inappropriate reporting. This condition emphasizes the need for an in-depth study of the tax planning strategy at Dapenbun. Several previous studies have shown the effectiveness of tax planning in reducing the tax burden and improving financial efficiency. Aryanti & Hananto (2013) showed that implementing tax planning at PT “X” Semarang saved taxes amounting to IDR 7,022,500. Fadhila & Hasibuan (2018) found that tax planning at PT Perkebunan Nusantara IV Medan was able to reduce the tax burden by Rp210,857,425,250, with a difference in tax savings reaching Rp44,378,488,250. Siregar (2019) also proves the effectiveness of the Gross-Up method, which can reduce the tax burden to Rp1,051,359,554 with savings of Rp590,277,244 and increase commercial profit after tax. Research by Alexander et al. (2021) highlights the facility of a 50% tax reduction from gross income according to Law No. 16 of 2009 and Law No. 36 of 2008. These studies emphasize the importance of tax planning for reducing the tax burden. Still, the majority focus on companies without considering the taxation aspects of pension funds, especially tax exemptions according to Article 4 Paragraph 3 letter (g) of the Income Tax Law. This shows the limitations of previous studies in the context of pension funds.

Although various studies have examined tax planning as an effective strategy to reduce the tax burden on companies, there are still gaps in studies related to its application in pension fund institutions. Studies such as Aryanti & Hananto (2013), Fadhila & Hasibuan (2018), Siregar (2019), and Alexander et al. (2021) have focused more on the application of tax planning to business entities that only withhold employee income tax. Pension funds face unique taxation issues, primarily related to the tax exemption provisions in Article 4, paragraph 3, letter (g) of the Income Tax Law. Empirically, pension funds are subject to special tax provisions on contributions and pension benefits. The Dapenbun case demonstrates the complexity of tax management, where the improper classification of pension contributions causes double taxation. Theoretically, the existing tax planning model has not been widely explored in the pension fund sector, resulting in tax management inefficiencies.

This study offers a new contribution by filling the research gap related to tax planning in pension fund institutions. Unlike previous studies that focused on business entities, this study examines pension funds' specific taxation challenges, especially Article 21 Income Tax obligations. By analyzing the Dapenbun case, this study aims to understand the tax classification of pension contributions and benefits and their impact on tax efficiency. This study also examines applying a tax planning model suitable for pension funds to ensure compliance with tax regulations. The main objective of this study is to evaluate the application of tax planning strategies to minimize the burden of Article 21 Income Tax on pension funds, identify tax policy inefficiencies, and provide recommendations for improving compliance and financial sustainability of pension funds. This research allows pension fund managers, policymakers, and tax authorities to gain new insights into effective and fair pension fund taxation optimization.

Literature Review

Tax Planning

Tax planning is a strategic approach companies employ to efficiently manage their tax obligations while ensuring compliance with legal frameworks. It involves optimizing tax payments by leveraging applicable tax regulations to minimize the financial burden imposed on businesses. (H. Herawati & Ekawati, 2016). Unlike tax avoidance, which refers to the exploitation of legal loopholes to reduce tax liabilities, or tax evasion, which involves illegal actions such as financial misreporting and income concealment, tax planning is a legitimate and responsible financial management practice. (Andayani & Setiyono, 2021). Companies engaging in tax planning must navigate complex regulations while remaining compliant, as improper implementation can result in legal scrutiny and financial penalties. In a competitive business environment, tax planning is crucial in enhancing cash flow efficiency, ensuring the sustainability of financial resources, and maintaining a company's competitive advantage. (Zhafirah et al., 2022). To achieve effective tax planning, companies must adhere to key principles, including regulatory compliance, tax efficiency, and strategic timing of tax payments. By structuring their tax planning strategies within the boundaries of taxation laws, organizations can optimize their financial performance while avoiding potential disputes with tax authorities. Tax planning strategies vary depending on a company's operational scope, ranging from short-term vs. long-term tax planning to domestic vs. international tax planning. Using depreciation optimization, tax incentives, and transfer pricing, businesses can effectively lower their tax burdens while maintaining financial stability (Zhafirah et al., 2022).

Implementing tax planning is based on several fundamental principles, including compliance with tax regulations, tax efficiency, and strategic management of tax payment timing. Compliance ensures that companies operate within the legal framework set by the government, reducing the risk of legal disputes and financial penalties. (Hotimah, 2014). Meanwhile, tax efficiency minimizes tax liabilities without violating tax laws, allowing businesses to allocate financial resources more optimally. (Herawati & Bandi, 2019). Additionally, the timing of tax payments plays a crucial role, as companies can strategically schedule their tax obligations to prevent excessive financial burdens in a single fiscal period. (Rudiawarni et al., 2022). Based on its scope, tax planning can be classified into several types. Short-term tax planning involves strategies implemented within a single fiscal year, whereas long-term tax planning aims to optimize taxation as part of a company's sustained growth strategy (Herawati & Bandi, 2019). National tax planning pertains to tax management within a specific jurisdiction, ensuring compliance with local tax laws while maximizing efficiency (Elumilade et al., 2022). In contrast, international tax planning applies to multinational corporations seeking to minimize global tax burdens through cross-border strategies such as transfer pricing and tax treaties. Similarly, tax planning can be structural, focusing on organizational frameworks, or transactional, targeting specific financial activities to optimize tax obligations. These classifications provide companies with a framework to develop effective tax strategies tailored to their operational needs. Various techniques and methods are utilized in tax planning to optimize corporate tax obligations while maintaining compliance with legal regulations. One of the most widely implemented approaches is using tax incentives, such as tax holidays and deductions, which governments provide to encourage investment in key industries (Fadhila & Hasibuan, 2018). By leveraging these incentives, companies can legally reduce their taxable income while contributing to economic growth. Additionally, asset depreciation optimization plays a critical role in tax planning. By strategically recognizing depreciation expenses in financial statements, businesses can minimize taxable income in the short term while ensuring long-term financial stability (Siregar, 2019). In the international context, tax treaties and transfer pricing strategies have become essential tools for multinational corporations. These mechanisms allow companies to structure their tax obligations across different jurisdictions, ensuring compliance with local and international tax laws while minimizing the overall tax burden. Businesses often implement gross-up schemes and tax compensation mechanisms, which help manage employee tax obligations efficiently. Under these schemes, companies bear the tax burden on salaries or benefits, ensuring employees receive full compensation while optimizing corporate tax efficiency. (Jannah, 2021). By integrating these strategies, companies enhance financial efficiency and strengthen their competitive position in domestic and global markets. A practical tax planning framework allows businesses to manage their fiscal responsibilities while complying with evolving tax regulations.

Income Tax

Income tax is a mandatory levy imposed by the government on the income earned by individuals and business entities within a given fiscal year. As one of the primary sources of state revenue, income tax is critical in financing public expenditures, including social services, infrastructure development, and economic growth programs. (Sinta et al., 2022). Unlike indirect taxes, such as Value-Added Tax (VAT), which is applied to the sale of goods and services, or Property Tax (PBB), which is imposed on land and building ownership, income tax is a direct tax deducted based on a taxpayer's earnings. (Sihombing & Sibagariang, 2020). Due to its direct nature, income tax collection is structured to ensure fairness through progressive tax rates, where higher-income earners contribute proportionally more to the tax burden. Depending on the taxpayer category, various taxation methods are implemented to enhance compliance and efficiency. Individual income tax, or PPh Pasal 21, is withheld directly by employers, ensuring the tax liability is deducted before employees receive their wages. Meanwhile, corporate income tax, or PPh Badan, is based on net profits, with businesses required to file tax returns and make periodic installments. (Suhendra & Haykal, 2022). Additionally, passive income sources, including dividends and royalties, are subject to PPh Pasal 23, where tax is withheld at the source. These structured policies ensure that income tax remains a stable and predictable source of government funding while promoting economic equity among taxpayers. The implementation of income tax is guided by fundamental principles that ensure fairness, legal certainty, and efficiency in authorities. (Pohan, 2022). Furthermore, the principle of efficiency and compliance aims to design a tax system that does not excessively burden taxpayers while promoting voluntary tax compliance. Income tax in Indonesia is classified based on the subject and object of taxation. Individual income tax (PPh Article 21) applies to employees and freelancers and is deducted directly from salaries or payments to ensure timely tax collection. Meanwhile, corporate income tax (PPh Articles 25 and 29) is levied on business profits, requiring periodic tax filings and installment payments. PPh Article 23 applies to passive income, such as dividends and royalties, where taxes are withheld at the source. A specific category, PPh Article 4(2), imposes final taxation on certain types of income, including interest from deposits and real estate transactions. These classifications provide a structured framework for effective tax collection while ensuring equitable distribution of tax obligations.

The calculation and withholding of income tax in Indonesia involve multiple approaches designed to enhance compliance and efficiency. One widely used method is the Withholding Tax System, where taxes are deducted directly from the income source before they reach the taxpayer. (Darmayasa et al., 2016). This system applies to employee salaries and professional service payments, ensuring that tax liabilities are settled promptly and reducing the risk of tax evasion. Assigning tax collection responsibility to employers or service providers simplifies tax administration while ensuring government revenue stability. Another significant method is the Self-Assessment System, which allows taxpayers to calculate and report their tax liabilities independently. This system mainly applies to corporate taxpayers, allowing businesses to manage their tax payments based on financial performance and cash flow. Through self-assessment, companies can also utilize strategic tax planning measures to optimize their tax obligations while complying with regulatory frameworks. Furthermore, the Tax Credit System allows taxpayers to offset their tax liabilities by using prior tax payments or incentives, effectively preventing double taxation and encouraging investment. (James, 2013). This system is essential for multinational corporations operating in Indonesia, as it aligns with international tax treaties and ensures fair taxation across jurisdictions.

Research Design and Methodology

Study Design

This study employs a qualitative descriptive analysis approach to systematically describe and analyze income tax planning strategies, particularly concerning Income Tax Article 21 at Dana Pensiun Perkebunan (DAPENBUN) in Makassar. A qualitative descriptive method provides an in-depth understanding of the subject by interpreting collected data within a broader explanatory framework.

This approach enables the study to explore the mechanisms implemented by DAPENBUN to minimize tax burdens while ensuring compliance with Indonesian taxation regulations. The study focuses on tax calculation, withholding, accounting, and reporting processes to identify potential gaps or inefficiencies.

Sample Population and Research Subjects

The research is conducted at DAPENBUN, located at Jalan Perkebunan No. 1-3, Makassar, and focuses on tax-related activities at DAPENBUN's Representative Office (PTPN XIV). The primary subjects include coordinators and staff directly involved in tax planning and financial reporting. The study utilizes primary data collected firsthand from key personnel responsible for handling Income Tax Article 21 for both active employees and pension beneficiaries. These individuals provide critical insights into tax management strategies, compliance challenges, and financial implications associated with income tax obligations.

Data Collection Techniques and Instrument Development

Data collection in this study involves structured interviews with key personnel at DAPENBUN's Representative Office, ensuring direct access to firsthand tax-related information. In addition to interviews, document analysis is conducted by reviewing Annual Tax Return Reports (SPT) for the 2021 Fiscal Year, Income Tax Article 21 Calculation Reports, and Employee and Pension Beneficiary Income Records. These sources provide comprehensive data for evaluating the effectiveness of tax planning strategies and assessing their alignment with applicable taxation laws. The research employs structured interview guidelines and document review checklists to ensure systematic and reliable data collection. This allows for an in-depth examination of tax-related procedures and compliance measures implemented at DAPENBUN's Representative Office (PTPN XIV).

Data Analysis Techniques

Data is analyzed using descriptive methods, where collected data is categorized, classified, and compared against existing tax policies and actual financial practices at DAPENBUN. This comparative approach helps identify potential discrepancies and assess the effectiveness of tax planning strategies. Findings are then interpreted and synthesized, offering conclusions on tax deduction, reporting accuracy, and compliance with Indonesian tax regulations. Ultimately, the study aims to provide practical recommendations for optimizing tax planning at DAPENBUN's Representative Office (PTPN XIV) while maintaining regulatory compliance.

Findings and Discussion

Findings

Tax Governance in Pension Fund Management

Government policies, including mandatory obligations and restrictions, strictly regulate the management of pension funds. One of the primary legal obligations related to pension fund management is the responsibility to pay and report taxes, covering asset management and utilization within the pension fund. Fulfilling these tax obligations is a crucial requirement for the sustainability of an organization like Dana Pensiun Perkebunan (DAPENBUN). The nature and structure of pension fund management introduce specific tax considerations, mainly services provided to participants and retirees and investment activities. Given these complexities, DAPENBUN must ensure that all decisions, policies, and tax-related actions are aligned with regulatory compliance and governance best practices. Every decision regarding tax obligations must be made with clear accountability by assigned responsibilities while adhering to existing tax laws and regulations. Failure to meet tax obligations may result in severe financial penalties, including tax fines and other charges, and non-financial repercussions, such as reputational damage. DAPENBUN has established comprehensive tax guidelines to mitigate these risks as part of its Good Pension Fund Governance (GPFG) framework. These guidelines provide a standardized reference for all personnel, ensuring adherence to tax regulations and compliance with government-mandated tax policies. Compliance with these tax regulations is essential to risk management and a key factor in maintaining DAPENBUN's reputation and goodwill. The tax guidelines are formulated by the DAPENBUN management, incorporating legal mandates, regulatory directives, and stakeholder recommendations, including feedback from participants. The tax policy framework is based on specific legislative and regulatory provisions to ensure the effective governance of income tax obligations, notably Income Tax Article 21. The governing tax regulations include Law No. 36 of 2008, which amends Law No. 7 of 1983 on Income Tax, and Law No. 16 of 2009, which revises Law No. 6 of 1983 on General Taxation Procedures. Several government regulations provide detailed tax implementation mechanisms, including Government Regulation No. 68 of 2009, establishing income tax rates for severance pay, pension, and old-age benefits. Government Regulation No. 94 of 2010 outlines taxable income and tax settlement calculation during the fiscal year. Several Minister of Finance Regulations (PMK) further regulate tax payment, filing, and exemptions, such as PMK No. 162/PMK.011/2012, which adjusts the amount of Non-Taxable Income (PTKP).

The Director General of Taxes has issued additional regulations and decisions directly impacting DAPENBUN's tax governance, including Regulation No. PER-16/PJ/2016, which provides technical guidelines for the calculation, withholding, and reporting of Income Tax Article 21. The legal framework ensures that DAPENBUN meets its tax obligations efficiently, covering tax payments on DAPENBUN's revenue and withholding obligations on employees' and pension beneficiaries' income. Since DAPENBUN is a legal entity managing Defined Benefit Pension Programs, it receives specific tax exemptions under Income Tax Law Article 4, Paragraph 3(g). This provision stipulates that those contributions received by government-approved pension funds, whether paid by employers or employees, are exempt from income tax to prevent double taxation. Despite these exemptions, certain types of income remain subject to taxation, requiring compliance with Income Tax Article 21 on salaries, honorariums, and pension benefits. The tax administration process at DAPENBUN's Representative Office (PTPN XIV) specifically handles these tax obligations, ensuring timely calculation, withholding, payment, and income tax reporting. Applying tax governance principles ensures that DAPENBUN maintains regulatory compliance, financial integrity, and institutional accountability, reinforcing its commitment to transparent and responsible pension fund management.

Governance of Employee Income Tax (Article 21)

The Representative Office of Dana Pensiun Perkebunan (DAPENBUN) PTPN XIV, located at Jalan Perkebunan No. 3, Makassar, serves as a service center for active and passive participants. Active participants are employees of PTPN XIV who are still working and have not yet reached retirement age, which is set at 55 years for employees in grade IA-IID and 56 years for those in grade IIIA-IVD. According to Holding Perkebunan Nusantara Decree No. IIIP-SURK/19.03, issued on September 11, 2019, regarding the organizational structure of DAPENBUN, representative offices are established wherever PTPN entities operate as employers. As of December 31, 2021, the DAPENBUN PTPN XIV Representative Office managed 4,135 participants, 657 active employees, and 3,478 retirees, with a total gross income of Rp. 13,366,646,866 and a tax liability of Rp. 39,869,600. The office is managed by a coordinator and two staff members whose salaries exceed the taxable income threshold (Penghasilan Kena Pajak, PKP). Salaries are disbursed at the end of each month, with income tax borne by DAPENBUN as part of its commitment to employee welfare. Employee compensation at DAPENBUN is regulated under a Collective Labor Agreement, which includes basic salary, tax allowances, special allowances, operational allowances, fixed allowances, occupational accident insurance, death benefits, and retirement savings contributions. Deductions include retirement savings contributions (JHT), pension fund contributions (DPLK), and employer-sponsored pension contributions. Employees also receive variable allowances such as meals, bonuses, travel expenses, and holiday allowances (THR), subject to tax regulations. Throughout 2021, DAPENBUN included various taxable income components in its gross salary calculations, including tax allowances (Rp. 860,063), employer pension contributions (10%) (Rp. 757,600), operational allowances (Rp. 6,206,265), and fixed allowances (Rp. 1,894,001). These components contributed to the increase in taxable employee income from Rp. 5,682,001 to Rp. 16,722,672, making them subject to Income Tax Article 21.

The taxation method follows the gross-up approach, ensuring that the employer bears the tax burden while increasing the employees' taxable income. However, an error was identified in applying

Income Tax Article 21 to the 1% Pension Fund Contribution (JP), which should have been excluded as a taxable income component under government tax regulations. The miscalculation resulted in an overpayment of Rp. 155,978. Employees also received meal allowances of Rp. 30,000 per workday, alongside other variable benefits such as leave allowances, travel expenses, and performance bonuses. The taxable income calculation for employee AA throughout 2021 included salary, tax allowances, meal allowances, business travel reimbursements, leave allowances, bonuses, and THR, with deductions covering JHT contributions (2%), DPLK contributions (6%), and 5% professional expense deduction. The final taxable income (PKP) was determined by deducting employment expenses, employee pension contributions, BPJS employment and health insurance contributions, and non-taxable income (PTKP) from gross income. The income tax liability (PPh Pasal 21) was calculated based on a progressive tax rate, which was capped at 15%, considering historical tax rate trends, even in months where taxable income exceeded Rp. 250,000,000 annually. This strategy aimed to minimize potential overpayments and was adjusted in December 2021 to align with actual tax liabilities. The tax planning strategy at DAPENBUN PTPN XIV involved setting tax rates at 15% for senior employees and 5% for staff members until December 2021, when the correct tax rate was applied to avoid overpayment. The gross-up tax method ensured that income tax (PPh Pasal 21) was borne by the company and included as a tax allowance, effectively reducing the company's corporate income tax liability (PPh Badan) while increasing employee income. Under this method, total gross employee income reached Rp. 559,289,228, with a net income of Rp. 527,865,952, and a tax liability of Rp. 39,879,600, which was deductible in the company's fiscal profit and loss calculations. The final tax payable was determined using the DJP (Directorate General of Taxes) system, ensuring consistency with Indonesian tax laws. By limiting the monthly tax rate to 15%, DAPENBUN PTPN XIV successfully optimized its tax planning strategy while ensuring compliance with Income Tax Article 21 regulations.

Governance of Income Tax (Article 21) for Retirees

The activities carried out by Dana Pensiun Perkebunan (DAPENBUN) are relatively simple and limited, primarily focused on administering the Defined Benefit Pension Program. However, the tax management associated with pension fund administration is a structured process that must be carefully managed at every stage. When calculating pension benefits, the income tax (PPh Article 21) on these benefits must be accurately determined and applied. Before discussing the governance of Income Tax Article 21 for retirees, it is essential to outline the special tax treatment applicable to pension funds; as a Defined Benefit Pension Fund, DAPENBUN benefits from certain tax privileges concerning income tax obligations. These privileges stem from the nature of pension contributions from employers and participants and are intended for future pension payments. The DAPENBUN PTPN XIV Representative Office calculates pension benefit taxes using the gross method, where the tax burden is placed on the retirees. The net taxable income for retirees is determined by deducting a pension expense of 5% from gross pension income, with a maximum deduction of Rp. 200,000 per month or Rp. 2,400,000 per year. Income Tax Article 21 calculation for retirees follows the gross method, meaning that retirees bear the tax liability themselves. The taxable income is determined by subtracting pension expenses from gross pension income, followed by further deductions for non-taxable income (PTKP) based on family status. The resulting taxable income (PKP) is then taxed according to the applicable progressive tax rates. However, as all PTPN XIV retirees earn below the PKP threshold, none are subject to Income Tax Article 21. A sample analysis of 101 retirees from 3,478 passive participants confirms that none meet the criteria for income tax liability. Despite this, pension benefits must still be reported for tax purposes, with details of retiree status and gross income recorded in Form 1721, which is then consolidated with reports for permanent employees. Tax withholding for retirees is conducted strictly with applicable tax regulations, ensuring that pension income payments align with withholding tax procedures. Any delays in withholding may result in accumulated tax liabilities, imposing an additional financial burden on retirees. Although pension funds are classified as taxpayers, certain types of pension income remain non-taxable as they do not represent economic gain for the pension fund itself. Nevertheless, DAPENBUN must report pension-related tax data annually, with tax payments either made directly by the pension fund or withheld by third parties responsible for administering taxable pension income.

Since all retirees at DAPENBUN PTPN XIV in 2021 earned below the PKP threshold, detailed reporting remains the primary tax requirement. Even though retirees are exempt from Income Tax Article 21, their gross income must still be reported in Form 1721, ensuring regulatory compliance. The deadline for submission is the 20th of the following month, requiring supporting documents such as the State Revenue Receipt (BPN), Monthly Tax Return (SPT Masa), and soft copies of the tax report in CSV format. For permanent employees, however, Income Tax Article 21 is deducted monthly upon salary disbursement. DAPENBUN's tax planning strategy limits the maximum tax rate to 15%, even when the progressive tax structure suggests a higher rate in certain months. For example, in May 2021, taxable income should have been subject to a 30% tax rate due to a PKP of Rp—863,741,863, as well as in July and December 2023. However, by limiting the monthly tax rate to 15%, DAPENBUN ensured that any tax discrepancies were adjusted in December, preventing excess tax payments. If the appropriate tax rates had been applied each month, the company would have overpaid by Rp. 7,413,662, which, although refundable in future tax periods, would have complicated the process. All Income Tax Article 21 withholdings are remitted to the state treasury, with tax payments registered through DJP (Directorate General of Taxes) for billing code generation. Payments are made through bank transfers, and salaries and pensions are disbursed within the same month. Tax planning at DAPENBUN ensures that Article 21 taxes are consistently remitted on time, with nearly all payments completed within the month of payroll disbursement, except for July, which was settled in early August, still within the legally permissible period. This compliance prevents penalties that could increase the company's tax burden.

The Person-in-Charge (PIC) for Income Tax Article 21 at DAPENBUN PTPN XIV is responsible for tax calculations, withholding, remittance, recordkeeping, and reporting. DAPENBUN validates tax calculations using Form 1721-A1 within the DJP system to ensure accurate employee tax reporting, preventing errors in tax liability assessments. The system provides precise calculations if an employee's taxable income falls into multiple tax brackets. Monthly tax filings must be submitted by the 20th of the month, with all reports prepared via the DJP Online system and processed using e-SPT software. The reports include proof of payment receipts, Form 1721 detailing employee and retiree taxable income, Form 1721-I, Form 1721-IV, and CSV files for submission. A review of DAPENBUN's tax planning strategy indicates effective implementation, with tax shortfalls from previous months adjusted in December. The total employee taxable income for 2021 was Rp. 44,116,762, with a tax withholding of Rp. 14,181,025, ensuring no overpayments. The annual gross income for DAPENBUN employees was Rp. 559,289,228, with tax allowances amounting to Rp. 39,879,600, significantly reducing corporate income tax (PPh Badan). The tax brackets applied for employees BB and CC were capped at 5%, while employee AA's tax rate was limited to 15%, even though corporate income tax was set at 25%.

Discussion

The fulfillment of tax obligations at the DAPENBUN PTPN XIV Representative Office is primarily focused on Income Tax (PPh) Article 21, which consists of two main categories: income tax on employee salaries and income tax on pension benefit payments. The taxation process at DAPENBUN PTPN XIV is governed by DAPENBUN's Tax Governance Framework, which aligns with tax regulations issued by the Indonesian government, including tax laws, regulatory provisions, ministerial decrees, and directives from the Director General of Taxes. Additionally, DAPENBUN's tax governance is integrated into the broader framework of Good Pension Fund Governance (GPFG), ensuring compliance with established tax policies. As a tax-withholding entity, the DAPENBUN Representative Office oversees tax calculation, deduction, remittance, and reporting for employees and retirees.

Tax Calculation for Employees

There is a distinct difference in the tax calculation methods applied at the DAPENBUN Headquarters and the Representative Office. While the headquarters employs the net method, the Representative Office utilizes the gross-up method for tax calculations, leading to disparities in tax liabilities between the two entities—for instance, Employee AA has a gross income of Rp. 289,325,190, incurs an income tax liability of Rp. Twenty-eight million three hundred sixty-nine thousand five hundred eighty-seven under the gross-up method, whereas using the net method, the tax liability would only be Rp. 23,516,185, resulting in a difference of Rp. 4,853,402. Similarly, Employee BB has a gross income of Rp. 153,187,877, incurs Rp. 8,452,864 in taxes under the gross-up method, compared to Rp. 2,158,385 under the net method, reflecting a difference of Rp. 4,135,844. Employee CC, earning Rp. 116,776,161, faces a tax liability of Rp. 4,416,425 under the gross-up method, compared to Rp. 1,481,445 under the net method, leading to a difference of Rp. 2,934,980. Overall, the total tax discrepancy for all employees amounts to Rp. 11,924,226, based on a total gross income of Rp. 559,289,228.

Under the net method, tax calculations consider only basic salary, position allowances, operational allowances, fixed allowances, and employer-funded pension contributions as taxable income. Conversely, the Representative Office applies tax to all salary components, including tax allowances, while excluding only participant-borne contributions from taxable income. The headquarters, however, exempts both employer- and employee-funded pension and BPJS contributions from taxation, arguing that taxing these contributions at both the contribution and benefit distribution stages constitutes double taxation. The Representative Office, however, only excludes participant contributions, adhering strictly to tax regulations. Beyond monthly salaries, other taxable benefits include leave allowances, holiday bonuses (THR), and travel reimbursements. The Representative Office's approach adheres to strict tax compliance principles, ensuring that all economic benefits employees receive are subject to Income Tax Article 21, thereby minimizing underpaid tax risks. While this approach enhances compliance, it does not necessarily align with tax minimization strategies. From DAPENBUN's broader organizational perspective, however, the Representative Office's approach contributes to tax minimization, as various salary components, including allowances, meal subsidies, and incidental benefits (e.g., leave allowances, THR, bonuses, and travel reimbursements), are taxed under Income Tax Article 21. This increases employees' gross taxable income, ultimately reducing corporate income tax (PPh Article 25), which is taxed at a higher rate (25%) compared to the progressive tax rates of 5% to 35% for employees.

Tax Planning Strategies

The DAPENBUN Representative Office has adopted various tax planning strategies to optimize tax obligations while ensuring strict compliance with Income Tax Article 21 regulations. One of the primary approaches is restructuring employee benefits, aiming to minimize taxable income while maintaining financial efficiency. By strategically modifying certain benefits, the organization has successfully reduced the tax burden associated with employee compensation without violating any tax regulations. A key strategy involved the restructuring of business travel expenses. Previously, travel expenses were provided as lump-sum payments, fully taxable under Income Tax Article 21. In 2021, however, these payments were partially replaced with in-kind benefits, such as transportation tickets and accommodation reimbursements, which helped reduce the taxable portion of employees' income. This change allowed the organization to minimize its tax liabilities while covering necessary travel expenses for its employees. Another significant change was the revision of employee medical benefits. Initially, employees received medical reimbursements, which were categorized as taxable income. DAPENBUN transitioned to employer-provided insurance schemes, including BPJS Health and Generali Insurance, to mitigate this. This modification effectively eliminated medical costs from taxable income, as health insurance premiums paid directly by the employer are not considered taxable compensation under Indonesian tax law. Consequently, employees benefited from healthcare coverage without an increased tax burden, and the organization improved its overall tax efficiency.

Work uniforms were previously granted as cash allowances, which were considered taxable income. DAPENBUN modified this practice to optimize tax obligations by providing uniforms in kind, ensuring each employee received two sets per year. This transition effectively reduced taxable salary components, as in-kind benefits of this nature are generally not subject to Income Tax Article 21. This strategy reinforced the organization's commitment to enhancing employee welfare while maintaining tax compliance. The restructuring of recreation allowances played a vital role in tax planning. Previously, these allowances were paid in cash, making them taxable under Income Tax Article 21. DAPENBUN converted these allowances into direct company-sponsored events like family gatherings to optimize tax obligations. The company successfully reduced taxable compensation by organizing recreational activities instead of providing cash payments while offering employees valuable non-monetary benefits. DAPENBUN effectively optimized its tax obligations through these tax planning strategies while ensuring full compliance with existing tax laws. The organization strategically shifted certain benefits from taxable to non-taxable categories, thereby minimizing its overall tax liabilities. These measures supported the company's financial efficiency and contributed to employee satisfaction by maintaining key benefits without increasing their tax burden. By aligning its tax strategies with regulatory requirements, DAPENBUN upholds best practices in corporate tax governance, reinforcing transparency, compliance, and financial sustainability in its tax management framework.

Tax Calculation for Retirees

Income Tax Article 21 calculation for retirees at DAPENBUN PTPN XIV follows the gross method, meaning that retirees are responsible for bearing their tax liabilities. This taxation method is based on DAPENBUN's tax governance policy, which mandates that pension benefits must be taxed at the recipient level rather than absorbed by the pension fund itself. Applying this method ensures compliance with tax regulations while maintaining transparency in the management of pension benefits. The calculation process follows a structured approach, beginning with the gross pension benefits and the initial taxable base. These benefits are then reduced by allowable pension expenses, including a standardized pension deduction designed to account for retirement-related costs. The non-taxable income (PTKP) is deducted, representing the portion of income exempt from taxation based on individual tax regulations and family status. The remaining amount, referred to as the taxable income (PKP), determines the actual tax liability of the retiree under Income Tax Article 21. However, in 2021, all retirees at DAPENBUN PTPN XIV earned below the PKP threshold, meaning they were not subject to any tax liability under Income Tax Article 21. Despite the absence of tax obligations, retiree incomes still had to be formally documented and reported. Tax compliance procedures require that all retiree earnings be disclosed in Form 1721, ensuring that pension disbursements are accurately recorded within the broader taxation system. This form is integral to DAPENBUN's tax reporting framework, consolidating retiree pension income with employee payroll taxes under a single reporting structure.

Ensuring accurate tax reporting for retirees is essential in compliance with Indonesian tax regulations. Although no tax payments were required for retirees in 2021, formal income documentation was necessary for administrative accountability and transparency. The inclusion of retiree income in Form 1721 helps facilitate tax audits and regulatory reviews, reinforcing the organization's commitment to adhering to proper tax governance. By systematically calculating, documenting, and reporting retiree incomes, DAPENBUN ensures its tax administration remains compliant, structured, and aligned with regulatory requirements. Implementing the gross method for retiree taxation reflects an effort to maintain fairness and regulatory consistency. By ensuring that pensioners are taxed at the recipient level, DAPENBUN adheres to best practices in pension fund taxation, preventing any unintended tax burdens on the pension fund itself. This practice also aligns with national tax policies, which aim to differentiate between taxable and non-taxable pension income while providing exemptions for lower-income retirees. Consequently, DAPENBUN's retiree tax calculation approach is systematic and compliant, ensuring all obligations are met without imposing unnecessary financial burdens on retirees.

Withholding, Remittance, and Reporting of Income Tax Article 21

The DAPENBUN Representative Office follows a strict and structured tax compliance process to ensure the timely withholding, remittance, and reporting of Income Tax Article 21 obligations. This process begins with tax deductions, which are applied at the time of salary and pension disbursement, ensuring that tax liabilities are met within the same tax period. By withholding taxes directly from employee salaries and pension payments, the office ensures that all tax obligations are calculated accurately and by prevailing tax regulations. Following the withholding process, the withheld taxes to the state treasury are remitted promptly and organized. Payments are typically made before the 10th of the following month, ensuring that tax liabilities are settled well within the legally mandated deadlines. The DAPENBUN Representative Office generates an e-billing code through the Directorate

General of Taxes (DJP) website to facilitate remittance. This code serves as an official identifier for tax payments and is used for processing transactions through authorized banks. By strictly adhering to payment deadlines, the office effectively prevents the risk of penalties or late payment fines, which could otherwise impose unnecessary financial burdens on the organization.

In addition to withholding and remittance, the tax reporting process is conducted punctually and in full compliance with regulatory requirements. All tax-related data is meticulously documented to ensure accuracy, transparency, and accountability. The reported information includes the number of registered taxpayers within the organization, the gross income of employees and retirees, and the total amount of tax liabilities incurred during the respective tax period. This comprehensive reporting framework facilitates efficient tax administration and ensures that the DAPENBUN Representative Office fully complies with national tax regulations. Compliance with tax reporting obligations is critical to DAPENBUN's financial governance strategy. The office minimizes the risk of regulatory scrutiny or compliance issues by ensuring that all deductions, remittances, and reports are timely. The systematic approach to tax administration reinforces the organization's commitment to fiscal responsibility and legal adherence. By keeping detailed and transparent tax records, the office enhances its ability to respond effectively to tax audits and regulatory reviews conducted by the tax authorities. Integrating modern tax payment mechanisms, such as e-billing and digital tax reporting, further streamlines the process, reducing the potential for manual errors or administrative inefficiencies. DJP's online tax system allows for real-time tracking and verification of tax payments, ensuring that all tax obligations are fulfilled accurately and without delay. This structured and digitally integrated tax compliance approach helps maintain DAPENBUN's credibility and reputation as a responsible taxpayer.

Conclusion

This study investigates the implementation of tax planning strategies at the DAPENBUN PTPN XIV Representative Office, focusing on minimizing Income Tax Article 21 obligations. The research examines how tax obligations for employees and retirees are calculated using different tax methods, namely the gross-up method for employees and the gross method for retirees. The study further explores the financial implications of these strategies and their compliance with prevailing tax regulations. Additionally, the research highlights that all employee cash benefits, except pension contributions and BPJS employment insurance borne by employees, are subject to Income Tax Article 21 to ensure full tax compliance and avoid underpayment risks. Furthermore, transitioning certain benefits, such as uniforms, travel expenses, and medical reimbursements, from cash-based compensation to in-kind benefits marks a shift in tax optimization strategies without breaching legal frameworks.

This study's findings contribute to academic knowledge and practical tax management. In terms of theoretical implications, this research provides insights into how different tax planning strategies affect corporate tax liability and employee compensation structures. From a practical standpoint, it offers valuable managerial implications for organizations seeking to balance tax efficiency and compliance while minimizing corporate tax burdens through strategic tax planning. The study underscores the importance of aligning corporate tax planning strategies with national tax policies, ensuring businesses benefit from tax savings without violating fiscal regulations. Furthermore, by demonstrating how DAPENBUN PTPN XIV utilizes gross-up and gross methods to manage Income Tax Article 21, this research is a reference for other pension funds and corporate entities looking to optimize tax liabilities.

Despite its contributions, this study has certain limitations. Firstly, the findings are based on a single entity (DAPENBUN PTPN XIV Representative Office), which may limit the generalizability of results to other pension funds or industries. Additionally, the study focuses primarily on Income Tax Article 21 and does not explore the broader impact of tax planning on overall corporate financial performance. Future research should consider expanding the scope to include other taxation aspects, such as corporate income tax (PPh 25), tax incentives, and evolving regulatory frameworks. Moreover, comparative studies analyzing the impact of different tax planning methods across multiple organizations would provide a more comprehensive understanding of tax strategies in various business settings. Lastly, the study suggests developing a standardized tax governance framework, including a well-defined SOP (Standard Operating Procedure) for Income Tax Article 21, to ensure consistency in tax practices between the central DAPENBUN office and its representative branches. Future research should explore the effectiveness of such standardized frameworks and their impact on tax compliance and corporate financial efficiency.

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